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August 10, 2007

Arizona Corporation Commission
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VIA OVERNIGHT MAIL

Arizona Corporation Commission
Docket Control
1200 West Washington Street
Phoenix, Arizona 85007-2927

Re: Application and Petition of Voicecom Telecommunications, LLC for a Certificate of Convenience and Necessity to Provide Intrastate Telecommunications Services (the "Application"); Docket No. T-20394A-05-0527

Dear Sir or Madam:

Pursuant to the request of Candrea Allen of the Arizona Corporation Commission's staff, Voicecom Telecommunications, LLC ("Voicecom") hereby provides the following supplemental information in connection with the above-referenced Application. The numbered paragraphs correspond to the individual data requests.

1. **If applicable, please update the proposed tariff submitted in the application.**

   Not applicable. The tariff submitted with the Application is currently in effect.

2. **If applicable, please update the company's response to question (A-8, part 2) of the application. Also, please provide a detailed summary of the technical and educational backgrounds of those individuals listed as officers and directors of the company. Please include the years of experience each individual has in the telecommunications industry and in what capacity.**

   Voicecom's updated response to question A-8, part 2 of the Application is attached hereto at Exhibit "A".

3. **If applicable, please update your response to question (A-19) of the application. Please state whether the Applicant has ceased service in any jurisdiction listed and whether the Applicant has commenced service in any jurisdiction not listed on the**

on the application.

Voicecom's updated response to question A-19 of the Application is attached hereto at Exhibit "B".

4. **Please submit updated financial information requested in section (B) of the application.**

Voicecom's updated financial information is attached hereto at Exhibit "C".

Please file Voicecom's supplemental information to the Application in your usual fashion and return one (1) file-stamped copy to us in the enclosed envelope. If you have any questions or comments, please call the undersigned.

Sincerely,

Charles A. Hudak
Counsel for Voicecom Telecommunications, LLC

CAH/jh
Enc.
cc: Candrea Allen
Arizona Corporation Commission
(with enclosure - via electronic mail)
Voicecom Telecommunications, LLC
(with enclosure)

EXHIBIT "A"

UPDATED RESPONSE TO QUESTION A-8, PART 2

Question A-8, part 2: A list of the names of all owners, partners, limited liability company managers (or if a managed LLC, all members), or corporation officers and directors.

Voicecom is a limited liability company. Voicecom's officers and directors are as follows:

Alec E. Gores, Chairman

Vance W. Diggins, Vice Chairman

Kevin Moran, President

Dan Mell, Chief Financial Officer

Kevin Torf, Chief Technical Officer

Keith Cummings, Vice President/Assistant Secretary

Catherine B. Scanlon, Vice President

David M. McGovern, Vice President

Eric R. Hattler, Vice President/Secretary

Dave McEvoy, Vice President/Assistant Secretary

Kevin M. Moran
President & CEO

Mr. Moran has over twenty (20) years of business management experience, ten (10) of which have been directly involved with Voicecom. Kevin is responsible for all aspects of the Voicecom business including defining the strategic direction of the company, setting the company culture, and streamlining business costs. His vision for the company is defined by being able to provide cost-effective communications solutions for mid and large sized companies that provide real value.

Kevin joined Voicecom in 1995 as Director of Wholesale Services. In 2002, he played a significant role as Executive Vice President of Sales and Marketing, in the sale of the business to The Gores Group, a privately held international acquisition and management company and was appointed as President and Chief Executive Officer. Most recently, Kevin's vision was the driving force behind the company's recent acquisition of iNuntius, Inc. With more than twenty (20) years of experience in business development, operations management and strategic alliance formation, Kevin has been responsible for the development and sale of outsourced transaction-based applications, achieving significant success in the Enterprise marketplace.

Prior to joining the company, Kevin was a Southern Regional Sales Manager with Wiltel Network Services, a subsidiary of the Williams Companies' (NYSE: WMB), a predecessor of WorldCom, Inc.

Kevin holds a Bachelor of Science degree from the University of Tulsa.

Daniel E. Mell
Chief Financial Officer

Mr. Mell is responsible for ensuring Voicecom's Accounting, Planning, Legal, and Human Resource functions contribute to the success of the business.

Dan originally joined the Voicecom team back in 1995 as Manager of International Business Development. As Director of Strategic Planning for Voicecom's former parent he was instrumental in executing a series of acquisitions which saw the Holding company grow from $50M to over $500M in revenues in less than eighteen (18) months. As part of the 2002 divestiture of this business unit, Dan assumed the role of Chief Financial Officer and provided the financial leadership and operational support that allowed the business to successfully restructure and quickly attain profitability.

Dan has nineteen (19) years of experience in the telecommunications industry. Prior to his work at Voicecom, Dan held a variety of financial positions with Nortel Networks including Director of Finance for the North American Cable operations which generated revenues of over $300M.

Dan holds a Masters of Business Administration degree in Finance and Accounting from McGill University in Montreal , Canada.

Kevin Torf
Chief Technology Officer

As the technology visionary of Voicecom, Mr. Torf oversees all new Product Development, Information Systems, and Engineering activities for the company.

Kevin comes to Voicecom through the recent acquisition of iNuntius, Inc. Kevin founded iNuntius, Inc. in 2003 and was most recently its Chief Executive Officer. An entrepreneurial leader in the field of high-tech communications for more than twenty (20) years, Kevin has consistently excelled at growing companies from inception to successful operation. His proven track record and broad knowledge base have followed a common theme of making technology work for business. Through his latest achievements, Kevin has emerged as a global industry innovator and comprehensive solutions provider in some of high-tech's most innovative and forward-thinking arenas: Voice over IP, carrier-grade Unified Messaging, LAN/WAN networking, and Internet-based e-commerce strategy and design.

Kevin's foresight and vision regarding high-end communications were central to the success of Tornado Development, a market leader in the Unified Messaging space. Kevin founded Tornado in 1995 and played an important role in the development of new products.

In 1991, Kevin founded Torsys, where he brought his extensive experience in data communications to the strategic development and management of network solutions for some of the most recognized names in the world, including: AT&T, Microsoft, Packard Bell, Starwood Hotels, Symantec, TCI, The University of California Los Angeles. and Xircom.

Keith Cummings
VP, Finance and Controller

Mr. Cummings is responsible for overseeing Voicecom's accounting, financial planning and analysis, accounts payable, taxation/regulatory, and purchasing responsibilities. Keith originally joined the Voicecom team back in 1998 as Director of Financial Planning and Analysis.

Keith has seventeen (17) years of experience in the accounting and finance fields. Prior to his work at Voicecom, Keith had an extensive telecommunications background, providing similar financial and accounting functions for MCI and BellSouth. He also worked in the public accounting arena for PricewaterhouseCoopers.

Keith is a Certified Public Accountant and holds a Masters of Business Administration degree in Finance from Georgia State University.

EXHIBIT "B"

UPDATED RESPONSE TO QUESTION A-19

(A-19) List the states in which the applicant currently offers telecommunications services similar to those that the applicant will or intends to offer in the state of Arizona.

Voicecom's original response to question A-19:

Applicant currently offers resold long distance telecommunications services in the states of Arkansas, California, Colorado, Florida, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Montana, Nebraska, New Hampshire, New Mexico, New York, North Carolina, Oklahoma, Ohio, Oregon, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wyoming, and in the District of Columbia.

Voicecom's updated response to question A-19:

Voicecom currently offers resold long distance telecommunications services in the states of Alabama, Alaska, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Missouri, Mississippi, Montana, Nebraska, Nevada, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming.

EXHIBIT "C"

UPDATED FINANCIAL INFORMATION

Voicecom Telecommunications, LLC

Financial Statements as of and for the Years Ended December 31, 2006 and 2005, and Independent Auditors' Report

Deloitte.

Deloitte & Touche LLP
Suite 1500
191 Peachtree Street NE
Atlanta, GA 30303-1924
USA

Tel: +1 404 220 1500
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Member of
Voicecom Telecommunications, LLC:

We have audited the accompanying balance sheets of Voicecom Telecommunications, LLC (the "Company") as of December 31, 2006 and 2005, and the related statements of operations, changes in member's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

May 14, 2007

VOICECOM TELECOMMUNICATIONS, LLC

BALANCE SHEETS
DECEMBER 31, 2006 AND 2005

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash	$ 456,806	$ 322,900
Trade accounts receivable — net of allowance for doubtful accounts of $421,557 and $609,894 in 2006 and 2005, respectively	5,092,469	4,680,829
Deferred tax asset	447,304	277,737
Inventory	72,980	
Prepaid expenses and other current assets	929,805	277,361
Total current assets	6,999,364	5,558,827
PROPERTY AND EQUIPMENT — Net	3,712,928	2,917,218
INTANGIBLE ASSETS — Net	1,793,165	3,115,787
DEFERRED TAX ASSET — Net	1,248,601	1,343,433
OTHER ASSETS	513,810	219,510
TOTAL	$14,267,868	$13,154,775
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 2,379,888	$ 2,940,448
Accrued expenses	1,432,007	1,334,983
Advances on line of credit	1,099,271	1,363,607
Current portion of long-term debt	752,553	81,706
Current portion of capital lease obligations	744,656	355,076
Subordinated short-term debt due to affiliate	350,000	1,000,000
Deferred revenue	2,327,369	2,503,294
Other	136,810	303,929
Total current liabilities	9,222,554	9,883,043
Long-term debt — excluding current portion	930,792	238,905
Long-term capital leases — excluding current portion	874,482	765,580
Deferred rent	555,431	358,416
Other long-term liabilities	54,467	86,261
Total liabilities	11,637,726	11,332,205
COMMITMENTS AND CONTINGENCIES (Notes 4 and 11)		
MEMBER'S EQUITY	2,630,142	1,822,570
TOTAL	$14,267,868	$13,154,775

See notes to financial statements.

VOICECOM TELECOMMUNICATIONS, LLC

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
NET SALES	$40,284,828	$35,594,571
TELECOMMUNICATIONS COSTS (excluding depreciation and amortization)	14,219,503	11,580,535
GROSS PROFIT	26,065,325	24,014,036
OPERATING EXPENSES (excluding telecommunications-related costs)	21,812,991	19,737,131
DEPRECIATION AND AMORTIZATION	2,760,365	2,020,913
OPERATING INCOME BEFORE INTEREST EXPENSE AND INCOME TAX (EXPENSE) BENEFIT	1,491,969	2,255,992
OTHER EXPENSE:		
Interest expense	(377,231)	(228,547)
Income tax (expense) benefit	(307,166)	1,722,255
NET INCOME	$ 807,572	$ 3,749,700

See notes to financial statements.

VOICECOM TELECOMMUNICATIONS, LLC

STATEMENTS OF CHANGES IN MEMBER'S EQUITY YEARS ENDED DECEMBER 31, 2006 AND 2005

BALANCE — December 31, 2004	$ (5,427,130)
Contribution of assets acquired and liabilities assumed of Inuntius from Parent Company	3,500,000
Net income	3,749,700
BALANCE — December 31, 2005	1,822,570
Net income	807,572
BALANCE — December 31, 2006	$ 2,630,142

See notes to financial statements.

VOICECOM TELECOMMUNICATIONS, LLC

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 807,572	$ 3,749,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,699,214	1,907,286
Amortization of intangible assets	1,061,151	113,628
Amortization of deferred financing cost	18,752	30,371
Gain on sale of equipment	(46,000)	(125)
Provision for doubtful accounts	423,167	553,819
Changes in assets and liabilities:		
Trade accounts receivable	(834,807)	(631,112)
Prepaid expenses and other current assets	(652,444)	57,645
Deferred tax asset — current	(169,567)	(277,737)
Inventory	(72,980)	
Other assets	(287,737)	(123,390)
Deferred tax asset — net	59,835	(1,343,434)
Accounts payable and accrued expenses	(377,735)	(1,494,948)
Deferred revenue	(115,924)	(303,353)
Other liabilities	87,090	(150,081)
Net cash provided by operating activities	1,599,587	2,088,269
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,475,024)	(270,063)
Proceeds from sale of equipment	46,000	125
Net cash used in investing activities	(1,429,024)	(269,938)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayments under line of credit	(264,336)	(701,738)
Principal payments on debt	(637,267)	(1,127,391)
Principal borrowings on debt	2,000,000	
Principal payments on debt due to an affiliate	(650,000)	
Financing costs incurred	(25,314)	(22,379)
Principal payments on capital lease obligations	(459,740)	
Net cash used in financing activities	(36,657)	(1,851,508)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	133,906	(33,177)
CASH AND CASH EQUIVALENTS — Beginning of year	322,900	356,077
CASH AND CASH EQUIVALENTS — End of year	$ 456,806	$ 322,900

(Continued)

VOICECOM TELECOMMUNICATIONS, LLC

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 377,231	$ 228,547
Amounts owed for capital expenditures	$ 61,679	$ 6,456
Cash paid for income taxes	$ 362,309	$ 41,733
Acquisition of capital assets by capital lease	$ 958,221	$ 1,120,656
Purchase accounting entries for settlement of Inuntius transaction	$ 261,471	$ -
DETAILS OF BUSINESS ACQUISITIONS:		
Fair value of assets acquired	$ -	$ 6,059,320
Contributed capital		(3,500,000)
Liabilities assumed		(2,559,320)
Net cash paid for business acquisition	$ -	$ -

See notes to financial statements.

(Concluded)

1. ORGANIZATION, NATURE OF BUSINESS, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business — Voicecom Telecommunications, LLC ("Voicecom" or the "Company"), a Delaware limited liability company, was formed on March 25, 2002. Voicecom is a 100% owned subsidiary of Voicecom Telecommunications, Inc. (the "Parent Company" or the "Member").

The liability of the Member is limited as set forth in the operating agreement and the Delaware Limited Liability Company Act.

The Company will continue to exist until dissolved by the Member and its affairs wound up in accordance with the operating agreement, or as otherwise provided by law.

The Company is a leading provider of enhanced communications services in the business-to-business market offering solutions such as Voice over Internet Protocol (VoIP) services, automated attendant and customized interactive voice response systems, voicemail, voice messaging, and conference calling. The Company's solutions are designed to meet a diversity of needs in the residential, SoHo (small office/home office), SMB (Small and Medium Business), and Enterprise markets, including voice and video calling, network messaging, and large-scale corporate communications. Voicecom delivers its solutions across a variety of industries, including small business, federal and local government, real estate, retail and telecommunications. The Company's technology platform offers the advantage of either local access or toll-free numbers available via both traditional telecommunications and VoIP technologies. The Company provides local access numbers in 240 major metropolitan areas, representing some 4,000 cities and more than 90% of the U.S. population. In the year 2006, Voicecom processed more than 129 million messages and handled more than 500 million calls. Most of the Company's customers are located in the United States, with a small customer base in Canada.

The Company's customers range from large corporations to SoHo businesses. Two customers accounted for approximately 22% and 12% of the Company's revenue in 2006 and 4% and 11% in 2005. Three telecommunications suppliers accounted for 32%, 28%, and 21% of telecommunications costs in 2006 and 46%, 29%, and 0% of telecommunications costs in 2005.

Use of Estimates — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are used for, but not limited to, the accounting for allowance for uncollectible accounts receivable, fair value of financial instruments, depreciation and amortization, useful lives and impairment of assets, accrued expenses, and contingencies. Estimates and assumptions are periodically reviewed and the effects of any material revisions are reflected in the financial statements in the period that they are determined to be necessary.

Cash and Cash Equivalents — For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Trade Accounts Receivable — Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience by industry and national economic data. The Company reviews its allowance for doubtful accounts monthly and all past due balances over 60 days are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventory — Inventories consist of various VoIP-related equipment, including 2 port, 4 port, and 8 port ATA (analog terminal adapter) units. Inventories are stated at the lower of cost or market, with cost determined on the first-in, first-out basis. All equipment is inspected on a quarterly basis for obsolescence. The allowance for obsolescence at December 31, 2006, is $0.

Property and Equipment — Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation on property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from three to five years. Assets recorded under capital leases are depreciated over the shorter of their useful lives or the term of the related lease. Assets acquired in the Inuntius Inc. ("Inuntius") transaction, discussed in Note 2, are being depreciated over remaining useful life of two years.

Capitalized Software — Capitalized software includes purchased technology that is used internally, which is recorded at the lower of cost or market. Internal software development costs are not capitalized.

Income Taxes — Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Since the Company is a single member LLC, and the Member is a corporation, the Company is treated like a branch or a division for income tax reporting purposes. As such, its operations are included with the Parent Company for tax filing purposes. For separate financial statements, current and deferred taxes are allocated to the Company as if it were a separate taxpayer.

Financial Instruments — The carrying amounts of cash and cash equivalents, accounts receivable, inventories, prepaid expenses, accounts payable, and short-term debt approximate fair value because of the short maturity of these instruments. The carrying amount of long-term debt also approximates fair value, as the interest rate on the term note approximates market and the remaining term of the debt is less than three years.

Impairment of Long-Lived Assets — Long-lived assets, such as property and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimate undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell, and depreciation ceases. No impairment charges were recorded during the years ended December 31, 2006 and 2005.

Revenue Recognition — The Company recognizes revenues when persuasive evidence of an arrangement exists, services have been rendered, the price to the buyer is fixed or determinable, and collectibility is reasonably assured. Revenues principally consist of fixed monthly fees and usage fees generally based on per minute or transaction rates. Deferred revenue consists of billings or payments made by customers in advance of the time services are rendered.

Recent Accounting Pronouncements — In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*, and prescribes a recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for the Company as of January 1, 2007. The cumulative effect of adopting FIN 48 will be recorded in retained earnings and other accounts, as applicable, as of the beginning of the period of adoption. The Company is in the process of evaluating the impact that FIN 48 will have on its financial statements.

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. FASB Statement No. 157 is effective for the Company as of January 1, 2008. The Company is in the process of evaluating the impact that FASB Statement No. 157 will have on its financial statements.

2. INUNTIUS ACQUISITION

On November 23, 2005, the Parent Company entered into an agreement to acquire certain assets and liabilities of Inuntius in exchange for a 25% equity interest in the Parent Company's existing capital stock. Upon consummation of this transaction, the Parent Company contributed the assets acquired and liabilities assumed in the acquisition to Voicecom. The fair market valuation of the capital stock issued by Parent Company for consideration was $3.5 million. The results of operations related to this acquisition are included in the financial statements from the date of acquisition. The assets and liabilities were valued in compliance with FASB Statement No. 141, *Business Combinations*, in that the assets and liabilities were recorded at fair market value. Intangible assets resulting from the acquisition have been assigned a useful life of 3 years and are being amortized accordingly using the straight-line amortization method.

The following is a summary of the fair values of the assets and liabilities at the acquisition date based on the final purchase price allocation.

ASSETS:	
Current assets	$ 364,770
Property and equipment	2,516,783
Deferred tax asset — current	64,720
Other long-term assets:	
Intangible assets subject to amortization	3,066,330
Other assets	46,717
Total assets	6,059,320
LESS LIABILITIES —	
Current liabilities:	877,915
Deferred revenue	62,696
Deferred tax liability — noncurrent	177,442
Assumed capital lease obligation due to an affiliate of seller	1,120,656
Assumed debt due to an affiliate of seller	320,611
Total liabilities	2,559,320
PURCHASE PRICE	$3,500,000

During 2006, the Company completed its purchase price allocation of the Inuntius acquisition. As a result, the Company adjusted its intangible assets by approximately $261,000.

3. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2006 and 2005, was as follows:

	2006	2005
Furniture, fixtures, and office equipment	$ 3,070,741	$ 2,818,247
Leasehold improvements	352,117	184,872
Software	3,455,300	3,070,816
Telecommunications equipment	12,977,410	11,805,648
	19,855,568	17,879,583
Less accumulated depreciation	(16,142,640)	(14,962,365)
Property and equipment — net	$ 3,712,928	$ 2,917,218

Assets under capital leases included in property and equipment at December 31, 2006 and 2005, was as follows:

	2006	2005
Telecommunications equipment	$1,464,132	$ 684,911
Software	614,745	435,745
Less accumulated depreciation	(179,496)	(46,694)
Property and equipment — net	$1,899,381	$1,073,962

4. LEASES

The Company has several noncancelable operating leases, primarily for office space. Rent expense under all operating leases for the years ended December 31, 2006 and 2005, was $1,442,699 and $1,386,579, respectively. The Company recognizes rent expense on a straight-line basis.

In addition, the Company has two operating lease agreements that contain discounted rental provisions with the lessor. In accordance with FASB Statement No. 13, *Accounting for Leases*, the Company records rent expense for these two lease agreements on a straight-line basis and the difference between the total payments and the straight-line expense is recognized as deferred rent in the accompanying balance sheets. The total deferred rent liability is $696,567 and $452,606 for 2006 and 2005, respectively.

Capital leases at December 31, 2006 and 2005, consisted of the following:

	2006	2005
Capital lease due to an affiliate, due in monthly installments of $33,587	$765,580	$1,120,656
Less current portion	373,242	355,076
	392,338	765,580
Data sales capital lease I, due in monthly installments of $9,794	222,861	
Less current portion	101,873	
	120,988	-
Data sales capital lease II, due in monthly installments of $19,312	445,258	
Less current portion	199,438	
	245,820	-
Oracle capital lease, due in quarterly installments of $20,493	185,439	
Less current portion	70,103	
	115,336	-
Total current portion	744,656	355,076
Total long-term capital leases excluding current portion	$874,482	$ 765,580

During 2006, the Company began payment on a capital lease obligation assumed in the Inuntius acquisition from an affiliate of the seller in the amount of $1,120,656. This lease represents capitalizable assets, including telecommunications equipment and software essential in maintaining and providing customers with VoIP services. This lease has a 36-month term with a 5% imputed interest rate. Payments on this instrument commenced January 2006 and will mature in December 2008.

The data sales leases are also for telecommunications equipment and software essential in providing customers with VoIP services and upgrading existing platforms for legacy customers. These leases have a 30-month term with stated 8.5% and 9.09% interest rates, respectively. Payments on these instruments commenced August 1, 2006 and will mature on January 1, 2009.

The Oracle capital lease is for telecommunications equipment and software essential in providing customers with VoIP services. This lease has a 34-month term with a 7.44% imputed interest rate. Payments on this instrument commenced August 1, 2006, and will mature on May 1, 2009.

A summary of future noncancelable minimum operating and capital lease payments with initial or remaining lease terms in excess of one year as of December 31, 2006, is as follows:

Fiscal Years Ending December 31	Capitalized Leases	Operating Leases
2007	$ 834,291	$1,120,310
2008	834,291	1,134,692
2009	78,529	1,149,649
2010		1,156,389
2011		777,534
Total minimum lease payments	1,747,111	$5,338,574
Less imputed interest	(40,510)	
Less stated interest	(87,463)	
Present value of minimum capitalized lease obligations	1,619,138	
Current portion of capitalized lease obligations	744,656	
Long-term capitalized lease obligations	$ 874,482	

5. **INTANGIBLE ASSETS**

A summary of intangible assets carrying value at December 31, 2006 and 2005, was as follows:

Amortized Intangible Assets	2006	2005
Customer list	$1,177,988	$1,177,988
Less accumulated amortization	(434,111)	(41,448)
Net book value customer list	743,877	1,136,540
Developed technology	1,789,955	2,051,427
Less accumulated amortization	(740,667)	(72,180)
Net book value developed technology	1,049,288	1,979,247
Total amortized intangible assets	$1,793,165	$3,115,787

The Company amortizes finite-lived, identifiable intangible assets acquired in the Inuntius transaction over a three-year useful life on a straight-line basis. In 2006 and 2005, the Company recorded amortization of $1,061,151 and $113,628, respectively, related to intangible assets.

Expected Amortization per Year

2007	$ 940,117
2008	853,048
	$1,793,165

6. LONG-TERM DEBT

Long-term debt at December 31, 2006 and 2005, consists of the following:

	2006	2005
Long-term debt due to affiliate, due in monthly installments of $8,000	$ 238,905	$320,611
Less current portion	85,886	81,706
	153,019	238,905
Wells Fargo Foothill term loan, due in monthly installments of $55,556	1,444,440	
Less current portion	666,667	
	777,773	-
Total current portion of long-term debt	752,553	81,706
Total long-term debt, excluding current portion	$ 930,792	$238,905

The long-term debt due to affiliate is a 44-month tenant improvement loan with a 5% imputed interest rate. Payment on this note commenced January 2006 and will mature in August 2009.

On February 23, 2006, Voicecom entered into an agreement with Wells Fargo Foothill Capital Corporation to establish a term loan in the amount of $2,000,000. The total amount outstanding under this term loan was $1,444,444 at December 31, 2006, and bears interest at the lender's Prime rate plus 2.0% (11.25% at December 31, 2006). Payment on this note commenced March 2006 and will mature in February 2009.

The Company has a line of credit facility with Wells Fargo Foothill that permits the Company to borrow up to $3,000,000. Advances totaling $1,099,271 and $1,363,607 were outstanding as of December 31, 2006 and 2005, respectively, and bear interest at the lender's Prime rate plus 2.0% (10.25% at December 31, 2006). The facility originally had a maturity date of March 26, 2005, and was renewed as of that date and amounts outstanding are due February 2009.

The term loan and line of credit facility described above contain covenants, which restrict distributions and capital expenditures and require maintenance of minimum subordinated debt, certain financial ratios, and other items. The covenants of both loans restrict annual capital expenditures to $2,500,000. The Company was in compliance with these covenants as of December 31, 2006. Substantially all assets have been pledged as security on indebtedness. The debt has been guaranteed by the Parent Company.

7. INCOME TAXES

Since the Company is a single member LLC, and the Member is a corporation, the Company is treated like a division of the Member for income tax reporting purposes. As such, its activities are included with the Parent Company's federal and state corporate tax filings. For separate financial statements, current and deferred taxes are allocated to the Company as if it were a separate taxpayer.

The following table shows the components of current and deferred income tax expense (benefit) by taxing jurisdictions:

	2006	2005
Current:		
Federal	$233,404	$ 7,682
State	48,087	3,955
Total current	281,491	11,637
Deferred:		
Federal	22,997	(1,459,831)
State	2,678	(274,061)
Total deferred	25,675	(1,733,892)
Total income tax expense (benefit)	$307,166	$(1,722,255)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2006 and 2005, are presented below:

	2006	2005
Deferred tax assets:		
Property and intangibles	$ 157,606	$ 216,781
Net operating loss carryforwards	1,235,554	1,291,886
Other	467,979	277,737
Total gross deferred tax assets	1,861,139	1,786,404
Less valuation allowance	(165,234)	(165,234)
Net deferred tax assets	$1,695,905	$1,621,170

At December 31, 2005, the Company had a net operating loss carryforward for federal income tax purposes of $6,379,249. This net operating loss carryforward was acquired as part of the Inuntius transaction. Under Section 382 of the Internal Revenue Code, the utilization of net operating losses acquired in connection with an ownership change of a company may be restricted. Consequently, the utilization of the net operating losses acquired from Inuntius will be subject to an annual limitation of approximately $148,400 per year, with adjustments made for any unused annual limitation. In light of this limitation, the amount of net operating loss carryforwards recorded was reduced to $3,418,731. The limitation may be increased by the net unrealized built-in gain on the disposition of certain of the acquired assets. As the Company's management believes this is not more likely than not to occur, a valuation allowance was provided against this deferred tax asset equal to the amount of net unrealized built-in gain. At December 31, 2006, the Company had net operating loss carryforwards recorded of $3,254,881. If not utilized to offset future taxable income, portions of the net operating losses will begin to expire on December 31, 2022.

Prior to the Inuntius transaction, the Company, through the Member, joined in the filing of a consolidated tax return. As a result of the issuance of the Member's stock as consideration for the acquisition of assets, the Member no longer may join in the filing of a consolidated tax return. The 2005 tax return the Company filed, fully utilized the net operating loss carryforward the Company generated while it was part of the consolidated group. The Company, through the Member, will begin filing separate corporate tax returns from the date of the acquisition.

The Company reduces deferred tax assets by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on these considerations, management believes it is more likely than not that the Company will realize the benefits of the deferred tax asset at December 31, 2006 and 2005, except for the valuation allowance that is attributed to the net unrealized built in gain on the disposition of certain of the acquired Inuntius assets. As a result, in 2005, the valuation allowance was decreased by a net amount of $2,430,409 based on positive evidence resulting from past, current and projected future taxable income.

The Company's income tax expense differed from the amounts computed by applying the United States statutory corporate income tax rate for the following reasons:

	2006	2005
Pretax income	$1,114,738	$ 2,027,445
Statutory corporate income tax rate	34.00 %	34.00 %
Income tax expense computed at statutory rate	379,011	689,331
Reconciling items:		
State income tax expense (benefit) — net of federal benefit	44,144	(178,271)
Change in valuation allowance on deferred tax assets		(2,430,409)
NOLs surrendered in connection with deconsolidation		178,405
Utilization of surrendered NOLs in connection with true-up	(186,097)	
Nondeductible items	70,108	18,689
Income tax expense (benefit)	$ 307,166	$(1,722,255)

8. DEFINED CONTRIBUTION PLAN

Eligible employees of the Company are able to participate in the 401(k) plan (the "Plan") of an affiliate. Pursuant to the terms of the Plan, the Company matches 50% of participant contributions, up to 4% of the participant's compensation. For the years ended December 31, 2006 and 2005, the Company contributed a total of $140,485 and $148,366, respectively, to the Plan.

9. MANAGEMENT EQUITY PARTICIPATION

Equity Participation and Retention Plan — In connection with the Parent Company's acquisition of substantially all of the assets of Inuntius, the Company amended and restated its Equity Participation Plan (the EPP). The EPP was transferred and assigned to the ultimate parent of the Company. The basic structure of the EPP has been retained. The benefits of the EPP are contingent upon a liquidity event, are capped at a maximum of $2.1 million, and will be recorded at the time a liquidity event is probable.

Common Stock Subscriptions — Also in connection with the Inuntius acquisition, the Parent Company entered into arrangements with certain senior managers of the Company pursuant to which the managers were permitted to subscribe for shares of the Parent Company's Series B common stock representing 20% of the outstanding common stock of the Parent Company at a purchase price of $0.01 per share, which purchase price was intended to reflect fair value of the Series B shares at the time of issuance.

10. RELATED-PARTY TRANSACTIONS

Medical and dental benefits are administered under a group plan by an affiliate. The Company reimburses the affiliate for claims paid on its behalf. For the years ended December 31, 2006 and 2005, the Company reimbursed the affiliate $1,101,000 and $1,137,107, respectively.

The Company paid $80,140 and $92,565 during the years ended December 31, 2006 and 2005, respectively, for express mail, legal, and capital lease payment services received by affiliates.

The Company received $66,542 and $97,578 during the years ended December 31, 2006 and 2005, respectively, for telecommunication services rendered to affiliates to include, but not limited to, voice mailbox rental, conferencing, and other miscellaneous ancillary services.

At December 31, 2006 and 2005, accounts receivable included amounts due from affiliates of $4,396 and $10,696, respectively.

The Company had accrued management fees in the amount of $360,000 to an affiliate during the year ended December 31, 2006. The fees were paid in March 2007. The Company paid management fees in the amount of $0 and $705,000 to an affiliate during the years ended December 31, 2006 and 2005, respectively.

The Company had $1,000,000 in debt subordinated to the holder of the Company's line of credit as of December 31, 2005. A $650,000 payment was made to the affiliate during 2006 leaving a balance owed of $350,000 as of December 31, 2006. This balance does not accrue interest and future repayments are restricted by certain provisions in the loan agreement.

11. COMMITMENTS AND CONTINGENCIES

The Company is involved in various disputes with its telecommunications vendors, which arise in the ordinary course of business.

The Company accrued $600,000 and $650,000 for 2006 and 2005, respectively, for the potential settlement of certain threatened litigation, including three matters related to patent infringement.

The Company is subject to various other legal matters arising out of the ordinary course of business. While the ultimate results and outcomes from these matters cannot be determined precisely, the

Company does not believe the outcome of such matters will have a material adverse effect on the Company's financial position or results of operations.

The Company believes it has adequately provided for these disputes in the financial statements.

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